EXHIBIT H

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Middle East Overview

Spectacular and horrific bombings in Dhahran, Tel Aviv, and Jerusalem dominated terrorist incidents in the Middle East in 1996, and nearly doubled the number of terrorist casualties to 837 from 445 in 1995. The truck bombing of the residential building occupied by US military personnel participating in the Joint Task Force/Southwest Asia near Dhahran, Saudi Arabia, on 25 June killed 19 US citizens and wounded over 500 persons. Several groups claimed responsibility, and the Federal Bureau of Investigation and Saudi Government continue their investigations into the incident.

In Tel Aviv and Jerusalem, suicide bombs in February and March killed 65 persons, including three US citizens. The radical Islamic Resistance Movement (HAMAS) was responsible for three of the bombings, and HAMAS and the Palestine Islamic Jihad (PIJ) both claimed responsibility for a fourth. In December the Popular Front for the Liberation of Palestine claimed responsibility for the shooting of an Israeli woman and her son. Israeli extremists were responsible for several attacks in 1996 that resulted in the deaths of at least two Palestinians.

Following the February and March bombings, 29 world leaders from the Middle East, Europe, North America, and Asia met in March and held the "Summit of the Peacemakers" in Sharm ash Shaykh, Egypt. They pledged to support the Middle East peace process and to take practical steps to expand regional cooperation against terrorism.

The Palestinian Authority continued its efforts-in cooperation with Israeli authorities-to combat the threat posed by terrorist groups such as HAMAS and the PIJ and to root out those who plan and carry out these attacks.

The Egyptian Government cracked down on extremist violence and significantly reduced terrorist incidents at the country's popular tourist sites where attacks had occurred during the previous two years. Fatalities from security incidents in Egypt decreased in 1996. However, extremist violence in upper Egypt and some outlying areas continued. In Cairo, 18 tourists were shot and killed by members of al-Gama'at al-Islamiyya (Islamic Group or IG). Also, the men responsible for carrying out the assassination attempt against President Mubarak in June 1995 remain at large.

In Algeria, political violence and random killings continued on a large scale around the country, causing major loss of life. Car bombs targeting Algerian municipalities, a press center, schools, and cafes were set off regularly. Indiscriminate killing of civilians at false highway checkpoints or in outlying towns were almost daily occurrences. Terrorists often targeted the families of members of government security services.

The Armed Islamic Group (GIA) kidnapped and subsequently killed seven French monks when its demands for the release of GIA members were not fulfilled. Otherwise, attacks against foreigners in Algeria decreased in 1996. Algerian extremists are believed to be behind a deadly bombing of a Paris commuter train in which four persons died and some 80 other passengers were wounded. Elsewhere in North Africa, there were few terrorist incidents.

In Lebanon, the security situation improved as the government continued its efforts to expand the rule of law to more of the country. Lebanese courts are increasingly active in prosecuting terrorists. One was convicted of terrorist attacks on Kuwaiti interests in Beirut in the early 1990s, and two others for the carbombing death of the brother of a senior Hizballah official. A military appeals court upheld the conviction of the murderer of a French military attache killed in 1986, and another court extradited to Germany a man accused in the 1986 bombing of the La Belle discotheque in Berlin. A Lebanese court upheld the conviction for kidnapping of two men involved in the 1976 kidnapping and murder of two US diplomats-but then released the two under a Lebanese amnesty law. Terrorist groups, especially Hizballah, continued to operate with relative impunity in large areas of Lebanon, particularly the Al Biqa` (Bekaa Valley), southern Lebanon, and Beirut's southern suburbs.

Algeria

The internal security situation in Algeria has improved since 1994, but the incidence of domestic terrorism, which is among the world's worst, remained high. At least 60,000 Algerians-Islamic militants, civilians, and security personnel-have been killed since the insurgency began in 1992.

Government security forces made substantial progress against the Islamic Salvation Army (AIS)-the reported military wing of the Islamic Salvation Front-that primarily attacks government-related targets. The government was less successful against the Armed Islamic Group (GIA), the most radical of the insurgent groups, which continued terrorist operations against a broad spectrum of Algerian civilian targets in 1996, including women, children, and journalists.

The GIA continued to target foreigners in 1996 and killed at least nine, a sharp decline from the 31 foreigners the group killed in 1995. The total number of foreigners killed by the GIA since 1992 exceeds 110. Most were "soft" targets, including a former Bulgarian attache, who was found beheaded in a forest in mid-November. Although no claims were made for his murder, Algiers blamed the GIA for his death. In August the GIA claimed responsibility for the murder of the French Bishop of Oran, who was killed by a bomb placed outside his residence.

Earlier in 1996 the GIA kidnapped and later beheaded seven French monks from their monastery near Medea. The GIA issued a communique claiming that the monks had been killed because Paris had refused to negotiate with the insurgent group. Algerian extremists are suspected in an explosion in a Paris subway on 3 December that killed four and wounded more than 80. The bomb used in that attack was similar to those used by the GIA in its bombing campaign in France in 1995.

The Algerian Government prosecuted numerous cases of persons charged with committing terrorist acts or supporting terrorist groups in 1996. In July, for example, four men accused of committing murder on behalf of terrorist groups were sentenced to death. Algiers also continued its limited clemency program. Members of militant groups who had surrendered to the authorities for committing murders received 20-year prison sentences instead of the death penalty; those found guilty of membership in terrorist groups received shorter-than-normal prison sentences. President Liamine Zeroual told the Algerian press that, as a result of this program, nearly 2,000 Algerians had surrendered to authorities by September.

Bahrain

The security situation in Bahrain deteriorated somewhat early in the year but showed signs of improvement at year's end. Antiregime unrest was generally limited, with a few notable exceptions. In the worst incident, seven South Asians were killed in a 14 March arson attack on a restaurant. On 1 July three Bahrainis were convicted and sentenced to death, and five others received lengthy prison sentences for this incident. There were several other attacks, including some using small bombs and incendiary devices. Most of the unrest has consisted of burning tires, exploding propane gas cylinders, and acts of vandalism. Security forces, in return, have conducted a crackdown, killing more than 20 Bahrainis and arresting more than 2,000 since the unrest began in November 1994. At the end of 1996 the scope and intensity of the unrest diminished, though this may be temporary.

Only two incidents directly involved US citizens. On 28 August a US student rented a car that had an improvised incendiary device in the gas tank. The device failed to operate. On 16 September a US citizen's car, parked in front of a luxury hotel in downtown Manama, was firebombed. In neither case, however, does it appear the US citizens were targeted because of their nationality.

Manama in June publicly announced the discovery of an active Bahraini Hizballah cell that was recruited, trained, and supported by Iran. Diplomatic relations between Bahrain and Iran have been strained since the announcement. Bahrain retaliated by recalling its ambassador from Tehran and by restricting commercial services and air transportation between the two countries.

Egypt

Islamic extremist violence fell in 1996. The number of fatalities-including noncombatants (105), police (59), and extremists (38) killed-fell sharply from 375 in 1995 to 202. Most incidents continued to occur in the provinces of upper Egypt. In spite of improved security, however, al-Gama'at al-Islamiyya (Islamic Group or IG) succeeded in conducting a shooting attack against foreign tourists at a Cairo hotel in April. Although this hotel attack generated the largest casualty count from a single incident in Egypt's modern history, the total number of deaths from extremist violence dropped sharply in 1996 after increasing steadily during the previous four years.

The IG continued its pattern of hit-and-run attacks in upper Egypt against police and suspected police informers and its robberies of jewelry stores to finance its operations. Minya Governorate ranked highest in terrorist incidents-which included the IG's killing of a high-ranking police official in April-but attacks also occurred in Asyut Governorate. The IG's shooting attack in April outside the Europa Hotel in Cairo that killed 18 Greek tourists waiting to board a bus disrupted the previous year's lull in incidents in Cairo and northern urban areas. The IG said it had intended to kill Israeli tourists to avenge Israeli strikes earlier that month against Hizballah forces in southern Lebanon. The smaller group al-Jihad also condemned Israeli action and threatened to hit "American and Israeli targets everywhere." Al-Jihad did not claim responsibility for any attacks in Egypt during 1996.

Although the IG carried out no attacks outside Egypt in 1996, a senior IG leader who said he was speaking from Afghanistan publicly threatened in April to kidnap US citizens in retaliation for the sentencing to life in prison by the United States of Shaykh Umar Abd al-Rahman, the IG's spiritual leader, in January. The shaykh was convicted in October 1995 for planning to carry out several terrorist conspiracies in the United States.

The Egyptian Government hosted the Summit of Peacemakers in March at Sharm ash Shaykh to discuss terrorism and the peace process. President Clinton joined President Mubarak, then Prime Minister Peres,

King Hussein, Chairman Arafat, and other heads of state and government at the meeting.

Israel and the Occupied Territories/Palestinian Autonomous Areas

Terrorism continued to have a major impact in Israel and the occupied territories in 1996. Palestinian extremists opposed to peace with Israel conducted four massive suicide bombings in Tel Aviv and Jerusalem early in the year, which killed 65 civilians. The overall number of anti-Israeli terrorist attacks instigated by Palestinians declined to 14 in 1996 from 33 in 1995.

On 25 February a suicide bomber blew up a commuter bus in Jerusalem, killing 26, including three US citizens, and injuring 80 others, including another three US citizens. The Islamic Resistance Movement (HAMAS) claimed responsibility for the bombing. (HAMAS also claimed responsibility for a second bombing on the same day in Ashqelon, killing two persons, in an act of domestic terrorism.) On 3 March a suicide bomber detonated a bomb on a bus in Jerusalem, killing 19 and injuring six others. This bomb was wrapped with ball bearings and other metal fragments to increase casualties. A HAMAS spokesman claimed responsibility and said the attack was in response to Israel's rejection of a conditional cease-fire offered by HAMAS. On 4 March a suicide bomber detonated a bomb outside the Dizengoff Center, Tel Aviv's largest shopping mall, killing 20 and wounding 75 others, including two US citizens and children celebrating the Jewish Purim holiday. HAMAS and the PIJ both claimed responsibility for this bombing.



HAMAS suicide bombing in Jerusalem on 25 February left 25 dead and 80 injured.

Other Palestinian groups that reject the peace process also launched anti-Israeli attacks in 1996, including the Popular Front for the Liberation of Palestine (PFLP) and Abu Musa's Fatah-Intifada. Unidentified gunmen, presumably Palestinian rejectionists, conducted another cross-border attack from Lebanon in March, killing 2 soldiers and wounding 9 others. On 11 December gunmen from the PFLP attacked a car carrying Israeli settlers near the settlement of Bet El north of Ram Allah in the West Bank, killing a woman and her 12-year-old son. The PFLP claimed responsibility and threatened other attacks on settlers. Palestinian Authority (PA) courts later convicted three PFLP members for the attack.

Israeli extremists also committed terrorist acts in 1996. On 4 February an unidentified Israeli reportedly fired on a group of Palestinian students on the main Nabulus-Ram Allah road, wounding a 16-year-old boy. On 1 October a Palestinian man died after being shot near Bet Shemesh. On 21 October an Israeli reportedly shot and killed a Palestinian man near the West Bank village of Sinjil.

The United States and Israel increased cooperation against terrorism in 1996. In April President Clinton and then Prime Minister Peres agreed to form the US-Israel Joint Counterterrorism Group, which held its first meeting in Washington in November. In response to the President's request, the US Congress voted to give Israel a grant of \$100 million for the purchase of equipment to fight terrorism.

The Palestinian Authority, which is responsible for security in the Gaza Strip and most West Bank towns, continued in 1996 its effort to rein in Palestinian violence aimed at undermining the peace process. The PA security apparatus prevented several planned terrorist attacks and arrested Palestinians

suspected of involvement in terrorist operations, including one who admitted his involvement in the murder of a dual US-Israeli citizen on 13 May. Chairman Arafat and other senior PA officials regularly condemned acts of terrorism.

Jordan

Jordan and Israel continued implementation of their peace treaty-signed on 26 October 1994-which commits the two parties to cooperate against terrorism. Amman maintains tight security along its border with the West Bank and has interdicted individuals attempting to infiltrate into the West Bank.

Jordanian security and police closely monitor secular and Islamic extremists inside the country and detain individuals suspected of involvement in violent acts aimed at destabilizing the government or its relations with other states. Jordanian authorities detained dozens of people in terrorism-related cases in 1996, including several individuals who reportedly infiltrated into Jordan from Syria with plans to attack Jordanian officials and Israeli tourists. After King Hussein raised the issue of possible Syrian complicity with President Asad in July, Damascus arrested some of the infiltrators' supporters in Syria.

Several Palestinian rejectionist groups maintain a closely watched presence in Jordan, including the Abu Nidal organization (ANO), the Palestine Islamic Jihad (PIJ), the Democratic Front for the Liberation of Palestine (DFLP), the Popular Front for the Liberation of Palestine (PFLP), and the Islamic Resistance Movement (HAMAS). Following the February 1996 suicide bombings in Israel, Jordanian security forces detained dozens of HAMAS members, including an alleged politburo official, and in May once again warned HAMAS spokesman Ibrahim Ghawsha, a Jordanian citizen, not to issue statements supporting anti-Israeli violence.

Kuwait

US military and diplomatic facilities and personnel came under increasing threat in 1996. International terrorist financier Usama Bin Ladin publicly threatened US interests in the Gulf, including Kuwait, in September and again in December. US and Western establishments received numerous telephoned and faxed bomb threats during the year.

Kuwaiti Hizballah, a Kuwaiti Shia organization that may have links to Iran, in 1996 allegedly assisted a Bahraini opposition group by smuggling weapons into Manama. Kuwaiti Hizballah may also have been engaged in activities directed against the US military presence in Kuwait.

Lebanon

Lebanon's security environment continued to improve in 1996 as the country worked to rebuild its infrastructure and institutions. However, parts of southern Lebanon and the Bekaa Valley, and portions of Beirut's southern suburbs-including areas surrounding Lebanon's main airport-remain effectively beyond the government's control. In these areas, a variety of terrorist groups, including Hizballah, the Islamic Resistance Movement (HAMAS), the Abu Nidal organization (ANO), the Palestine Islamic Jihad (PIJ), and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC), continued to operate with relative impunity, conducting terrorist training and other operational activities.

Although no anti-US attacks occurred in Lebanon in 1996, the official US presence there remains under threat. Hizballah's animosity toward the United States has not abated, and the group continues to monitor the US Embassy and its personnel. Group leaders routinely denounce US policies and condemn the Middle East peace process.

Lebanon pursued several high-profile court cases against suspected terrorists in 1996:

- In October Mohammed Hilal, a former official of a Palestinian terrorist group, was convicted (in absentia) of throwing a handgrenade at the Kuwaiti Embassy in Beirut in March 1993 and of attempting to bomb the offices of Kuwait Airways in August 1993. The court sentenced him to life at hard labor and determined that he had acted on the orders of the Iraqi Government.
- Two men were tried in connection with the 1994 car-bombing death of Fuad Mughniyah, brother of senior Hizballah security official Imad Mughniyah. Both were found guilty. One was sentenced to 10 years' hard labor, the other to death. The death sentence was carried out 21 September.
- In October a military appeals court confirmed the life sentence of Hussein Tlays. Tlays had been found guilty previously of the 1986 assassination of a French military attache on the orders of a Hizballah official.
- The Lebanese courts also extradited a Palestinian, Yasser Shraydi, to Germany for trial in connection with the La Belle discotheque bombing in Berlin in 1986, in which three US servicemen and one Turkish woman were killed.

The Lebanese Government pursued through several appeals the case of the 1976 kidnapping and murder of US Ambassador Francis E. Meloy and Economic Counselor Robert O. Waring. In March the civil courts found the two accused guilty of the kidnappings but not the murders. Although the murder of diplomats is not covered by Lebanon's 1991 amnesty law, the law did apply to the kidnappings. Consequently, one of the accused was freed; the other continues to be held for unrelated crimes.

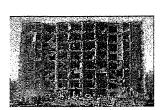
Morocco

There were few terrorist-related incidents in Morocco in 1996. In July the Russian Embassy in Rabat received a letter from a group calling itself "The Dar al-Islam Western Front" threatening to attack specific Russians in Morocco, but no such attacks followed. On 18 June a prominent Moroccan Jew was the victim of an assassination attempt in Casablanca. It was unclear, however, whether the attempt was the result of a personal vendetta or terrorist activity. Later that month, the US Consulate and another prominent Moroccan Jew, both in Casablanca, received threatening phone calls that future attacks would take place against the Jewish community. The Government of Morocco has demonstrated a readiness to respond to terrorist threats and has investigated such incidents thoroughly.

Saudi Arabia

On 22 April Saudi authorities televised the confessions of four Sunni Saudi nationals who admitted to planning and conducting the bombing of the Office of the Program Manager/Saudi Arabian National Guard (OPM/SANG) headquarters building in Riyadh in November 1995. They said their disillusionment with the way the regime practiced Islam and Islamic law motivated them to carry out the attack. Three were veterans of the conflicts in Afghanistan, Bosnia, and Chechnya. The four were executed on 31 May in accordance with Saudi law.

On 25 June a large fuel truck containing explosives detonated outside the US military's Khubar Towers housing facility near Dhahran, killing 19 American citizens and wounding some 500 persons. Khubar Towers housed US Air Force personnel and other Western military personnel assigned to duty in Saudi Arabia's Eastern Province as part of the Joint Task Force/Southwest Asia, which enforces the no-fly zone over southern Iraq. Several groups, both Shia and Sunni, purportedly claimed responsibility for the bombing, including: the "Brigades of the Martyr Abdallah al-Hudhaifi," "Hizballah al-Khalij," and the "Islamic Movement for Change." Saudi and US authorities are still investigating the incident.



In June a truck bomb destroyed the Khubar Towers housing facility near Dhahran, Saudi Arabia. Nineteen US citizens were killed and some 500 other persons were wounded. (Department of Defense)

Following the Khubar Towers bombing, a variety of US facilities received bomb threats. International terrorist financier Usama Bin Ladin, for instance, in August and again in November, publicly called on his supporters to attack US interests in Saudi Arabia and the other Gulf states.

Tunisia

There were no reported acts of terrorism in Tunisia in 1996, but the Government of Tunisia remains publicly committed to taking necessary actions to counter terrorist threats, particularly from religious extremists. Tunis continued throughout the year to prosecute individuals belonging to the illegal an-Nahda group, which it considers a terrorist organization, but did not blame an-Nahda for any specific terrorist attacks this year. In October the Tunisian Government arrested two individuals suspected of involvement in the assassination of Belgian Vice Premier Andre Cools in 1991. The investigation is expected to continue in 1997.

Yemen

In 1996 the Government of Yemen deported Abu Nidal organization (ANO) members residing in the country. Yemen also signed extradition agreements with the Governments of Egypt and Saudi Arabia. According to press reports, in October the Yemenis turned over to the Saudi Government several Saudi suspects. Furthermore, an Ethiopian national who hijacked an airliner to Yemen in April was arrested and jailed. He has not yet been tried.

Yemen, however, remained a base for some terrorist elements. The Yemeni Government has been unable to exercise full control over its territory, and terrorists have committed kidnappings and attacks on foreign interests in remote areas of the country. There were several attacks of this type in 1996:

- In January tribesmen in al Ma`rib Governorate kidnapped 17 elderly French tourists in order to pressure authorities into releasing a member of the tribe. The tourists were released unharmed three days later.
- In June an unidentified assailant threw an explosive device from a passing car into a vacant lot 30 meters from a US Embassy officer's residence near the office of the Canadian Occidental oil company. The company has been accused of polluting Yemeni natural resources.
- A French diplomat was kidnapped by tribesmen in the al Ma'rib Governorate in late October and was released unharmed in early November.

Moreover, Yemeni border security measures are lax and Yemeni passports are easily obtained by terrorist groups. The ruling government coalition also includes both tribal and Islamic elements which have facilitated the entry and documentation of foreign extremists.

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